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**\* \* REASONS FOR AMENDMENTS AND REMARKS \* \***

Applicants and the undersigned would first like to thank Examiners Greimel and Kazimi for the time and courtesies extended to Applicants' representatives and the undersigned in the personal interview of June 27, 2006. The discussions held during that interview (summarized below) were very helpful in the preparation of this response.

The subject invention relates to financial services and products, and more particularly to annuity products. "Traditional" annuity products are well known and typically serve as insurance against the risk of longevity. That is, an annuitant can exchange a fixed asset for a stream of payments made over a lifetime or other specified time period. If the specified period is a lifetime period, the annuitant receives a life contingent income that he/she cannot outlive. This benefit comes with certain tradeoffs. Specifically, the annuitant loses access to the asset (i.e., liquidity) after purchase of an annuity. Moreover, if the specified period is a lifetime period, the annuitant may die prematurely before receiving cumulative income payments that equal the value of the original asset.

Various alternatives exist which avoid some of the negative tradeoffs associated with annuities. Some annuity products offer at least a limited guaranteed return in the form of minimum income or cumulative payments, but do not address the liquidity problem. Non-annuity investment programs or accounts from which periodic (or other) withdrawals are made can provide a source of income while preserving liquidity in the original asset. Some forms of these investments are able to guarantee that the original asset, plus a fixed amount of interest, will be returned to the owner and/or the owner's beneficiary. However, the risk of longevity, i.e., outliving these types of investments by exhausting the account balance during lifetime, continues to exist for many.

The present invention relates to an annuity product which is non-traditional. Specifically, the invention relates to a method of administering an annuity product which has a

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withdrawal feature and a guarantee. Together, these features work to provide and maintain liquidity in the original assets, while guaranteeing a continuing source of income for a specified period, including a lifetime period.

The particular embodiments to which the elected claims of this application are directed are described beginning in line 19 of page 16 of the specification as amended in the filing dated September 15, 2005. In the examples described there, "... an insurer may permit withdrawals from an active (unannuitized) deferred annuity contract. Under such a program, if these withdrawals do not exceed a predetermined percentage established by the insurer for a given withdrawal frequency, the insurer guarantees that withdrawals under this program will last for the period prescribed, including a lifetime period." Thus, the contract owner receives (as desired) income payments in the form of the periodic withdrawals, while maintaining access to the account balance for unscheduled withdrawals. If total withdrawals do not exceed a predetermined percentage of the account balance over a predetermined period, (termed the "maximum withdrawal rate" in the claims), the insurer guarantees that amounts up to the predetermined percentage will continue to be paid for the specified period, including a lifetime period, even if the underlying assets are exhausted before the end of the specified period. This guarantee feature provides the owner with the insurance against longevity (i.e., outliving the available assets) of a traditional annuity product, while the withdrawal feature allows the owner to retain the liquidity normally sacrificed when purchasing an annuity. The guarantee remains in place as long as withdrawals do not exceed the predetermined percentage (i.e., the maximum withdrawal rate). However, in emergencies, or if otherwise desired, the account owner can access a higher percentage of the account value, in which case the guarantee may be terminated or modified.

In the Office Action, Claims 17-36 are rejected under 35 U.S.C. 102(b) as being unpatentable over U.S. Patent No. 5,933,815 to Golden (hereinafter "Golden"). Golden relates to "a computer system and computerized method for implementing and administering a program to provide a person with guaranteed lifetime income based on at least an initial contribution of assets ... ." The system and method disclosed by Golden provides a "partial withdrawal" feature

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which provides "a measure of liquidity in the assets." With reference to Figure 1 of Golden, a preferred embodiment referred to as the "Income Manager System" is described as comprising both hardware and software elements. These various elements are identified by reference numerals 10-30 in Figure 1. The Income Manager System manages or administers a "client account 32" which represents an asset, such as an IRA, held by a bank or other entity in a "financial institution account 34." The Income Manager System splits this client account for investment into two different types of accounts of an insurance company. A portion of the client account is allocated to a "separate account 36a" and used to purchase a series of guaranteed investment vehicles, such as a series of serially maturing Guaranteed Interest Rate Options ("GIRO"s). The remaining portion of the client account is allocated to the "general account 36b" of the insurance company and is used to purchase a traditional life contingent annuity ("LCA"). The serially maturing GIROs provide an annual payment for a set period of years, after which the LCA provides continued payments for the life of the annuitant. The GIROs have a market value which is determinable on any given day prior to maturity. Thus, the client can make a partial withdrawal by "cashing in" one or more GIROs at their respective market values prior to the maturity dates. In that event, the annual payments guaranteed by the remaining GIROs are readjusted to reflect the partial withdrawal.

As discussed during the interview, Golden partially addresses the problem of inaccessability or illiquidity associated with traditional annuities by splitting the available asset between two traditional investment products (i.e., the GIROs and an LCA). Golden's invention is a computerized method and system for allocating the available assets between these traditional products, based on the financial goals and preferences expressed by a client. His approach preserves a "measure of liquidity" in the asset available for investment. In the example discussed in the specification, and illustrated in connection with Figure 3, Golden allocates roughly two-thirds of an initial investment to the purchase of GIROs, and one-third of the asset to the purchase of a traditional LCA. Thus, liquidity is initially preserved in two-thirds of the asset. The degree of liquidity decreases each year as the GIROs mature, disappearing entirely by the end of the 14<sup>th</sup> year. If all or substantially all of the GIROs are cashed in prior to maturity, then annual income payments will cease or decrease to nominal levels until the LCA commences

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in the 16<sup>th</sup> year. As noted in column 10, lines 31-33, there exists a probability that the client will not live long enough to collect any distributions under the LCA, in which case one-third (in the illustrated example) of the asset is lost.

As discussed during the interview, the product administered by the claimed method of the present application is a non-traditional annuity product having features which differ from those of the traditional products used by Golden. These features enable the claimed method and associated product to provide more than the "measure of liquidity" provided by Golden. In addition to liquidity, the features provide a source of guaranteed income that, under certain conditions, cannot be outlived. Moreover, in certain embodiments, the risk of asset loss in the event of premature death, which exists with a traditional LCA, is reduced or eliminated.

As further discussed during the interview, subparagraphs a and d of Claim 17 have been amended to clarify and more particularly point out the distinctions which exist between the method and associated product of the present invention, and the computer system/method and traditional products discussed by Golden. In addition, a "wherein clause" has been added to further define the "specified time period" of Claim 17, as suggested by the Examiner during the interview. These changes are discussed in detail in the following paragraphs.

Step a of Claim 17 has been amended to highlight a feature of the subject annuity account which differs from the traditional product accounts utilized by Golden. Specifically, step a has been amended to read:

- a) establishing an annuity account having an owner and a unitized account value, the investment performance of which accrues to the benefit of the account owner and from which withdrawals can be made;

The effect of investment performance (both positive and negative) on the annuity account of the account owner in the present application is illustrated by the example described on page 19 of the amended specification in connection with the table of Figure 9. As illustrated, the

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investment return listed in the fourth column causes the account value listed in the fifth column to fluctuate proportionally.

In contrast, Golden states in column 8, lines 18-28, as follows:

The money allocated to the purchase of the GIROs is invested in a separate account 36a with asset liability matching on an aggregate basis. The separate account is "nonunitized," i.e., the client has no claim on, or participation in the performance of, the assets held in the account. Any favorable investment performance of the assets held in the separate account may thus accrue to the sole benefit of the insurance company. The money allocated to the purchase of the LCA becomes part of the company's general account 36b which is invested with asset-liability matching.

This distinction is significant in that Golden's ability to offer "guaranteed lifetime income" is directly attributable to the guaranteed nature of the traditional financial instruments utilized. Golden's computerized method and system (i.e., the Income Manager System) does not provide any guarantee, but rather simply allocates the available assets to one or the other of the traditional "guaranteed" investments. Although non-guaranteed products are and have been available, Golden neither discloses nor suggests how such products could be used in the context of his system/method to achieve a "guaranteed lifetime income."<sup>1</sup>

Step d of Claim 17 has been amended to more clearly describe the features of the guarantee provided by the claimed method. As recognized by Examiner during the interview, the scope of amended step d does not differ from that of original step d. However, the new wording more clearly describes that scope and, Applicants submit, makes more clear the distinctions which exist between the claimed guarantee and that provided by Golden. The claimed guarantee provides that, "even if the entire account value is exhausted before the end of the specified time period, amounts up to said maximum withdrawal rate will continue to be paid

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<sup>1</sup> Golden does contemplate use of his system to make a third allocation (i.e., beyond the GIROs and LCA) of assets to non-guaranteed investments which would be subject to market risk. (See, for example, Table I in columns 17 and 18 and related discussion). These amounts, which are subject to market gains and losses, are not guaranteed. They simply represent assets a client chooses not to invest in the insurance institution accounts discussed by Golden in connection with Figure 1, and do not form the basis for any portion of guaranteed income unless or until they are actually invested in GIROs or an LCA.

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for at least said specified time period, provided that withdrawals before the account value is exhausted do not exceed the maximum withdrawal rate." The effect of this guarantee is illustrated in Figure 9. Specifically, with reference to the last three rows (withdrawal numbers 13, 14, and 15), the end-of-year account values have reached zero due to adverse investment returns and withdrawals at the maximum rate in preceding years. Nonetheless, since the "maximum withdrawal rate" was not exceeded before the account value reached zero, amounts equal to the maximum rate were paid as "withdrawals" 13, 14 and 15.

The comparison of the claimed guarantee with that provided by Golden is best illustrated by reference to the table in the right half of Golden's Figure 3. The second column of that table lists the "Annual Payment" made in accordance with the maturity dates of the GIROs and the subsequent LCA. Prior to maturity of all of the GIROs, a client can "cash in" GIROs, in which case the remaining annual payments and the market value of any remaining amounts in the GIROs are decreased by the client withdrawal. (See column 7, lines 39-53). However, if the market value of all of the remaining GIROs is withdrawn in, for example, year 7 of the 15 year term, no annual payments will be made after that event until entry of the life contingent period. Thus, there is never a situation described by Golden in which the available account value (or market value) is zero, yet annual payments are nonetheless made to the client, per a guarantee. This is the aspect of the claimed method addressed by step d. This aspect is not disclosed by Golden.

Finally, in addition to the amendments made to steps a and d, a wherein clause has been added to Claim 17 to more specifically define the "specified time period" referenced in step d. During the interview, the Examiner noted that the term "specified time period" could be broadly construed to be a period of merely days, hours, or even minutes. Such a construction is clearly not intended by Applicants. The added wherein clause more clearly defines the "specified time period" to be of the kind discussed in the various examples in the specification.

Dependent Claims 18-21 further characterize and define the specified period. Specifically, while the newly-added wherein clause of Claim 17 defines the "specified time

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period" to be one (or more) of several period types, each of these dependent claims either further defines the period as a specific type (e.g., Claim 18), or adds a requirement directed to some other characteristic of the period (e.g., Claim 19).

Dependent Claims 23 and 24 relate to the manner in which the maximum amount of withdrawals is calculated. Dependent Claim 25 provides for a periodic redetermination of this maximum amount.

Dependent Claims 26-29 relate to various embodiments which provide a death benefit to a designated beneficiary upon the death of the account owner. These embodiments were mentioned previously in connection with reducing or eliminating the risks associated with premature death inherent in products such as the traditional LCA employed by Golden.

Claims 30 and 31 add, respectively, the step of altering or terminating the guarantee if withdrawals exceed the maximum rate.

Claim 32 adds to the method of Claim 17 the step of establishing a charge to pay for the guarantee. Claims 33 and 34 are more specifically directed to alternative mechanisms for establishing the charge. Applicants and the undersigned note that, while Golden may assess a charge or fee for use of his Income Management System to allocate the assets of a client to the GIROs, an LCA or other traditional products, such charge or fee is not related to a guarantee, since the guarantees associated with these traditional products are inherent therein. Any fee charged by Golden would simply amount to a service fee for use of his software/hardware system.

Dependent Claim 35 is directed to the manner in which the account value is periodically redetermined. Dependent Claim 36 specifically requires the withdrawal frequency to be "per year."

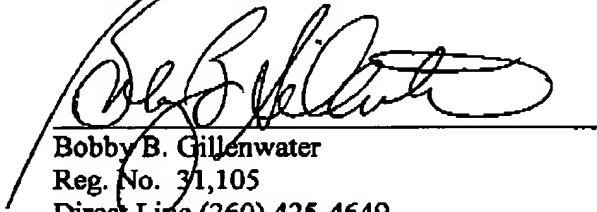
During the personal interview and in this response, Applicants and the undersigned have attempted to fully address the rejections of the claims in view of Golden, and to address other concerns raised by the Examiner. It is respectfully submitted that Claim 17 as

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amended is patentable over Golden and the other art of record, and that several of the dependent claims further distinguish over Golden, as discussed above. Applicants and the undersigned respectfully submit that amended Claim 17 and dependent Claims 18-36 have been placed in condition for allowance, and respectfully request action to this effect. Should the Examiner feel, after reviewing this response, that additional issues remain which could be easily resolved, a telephone call to Applicants' undersigned representative is respectfully requested.

To the extent necessary, a petition for an extension of time under 37 C.F.R. §1.136 is hereby made. To the extent additional fees are required, please charge the fees due in connection with the filing of this paper, including extension of time fees, to Deposit Account No. 02-1010 (37168/82320) and please credit any excess fees to such deposit account.

Respectfully submitted,



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